



***United States Attorney  
Southern District of New York***

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**CEO OF SMART ONLINE AND FIVE OTHERS ARRESTED FOR  
MANIPULATION OF SMART ONLINE SECURITIES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK J. MERSHON, the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced today that DENNIS MICHAEL NOURI, the Chief Executive Officer ("CEO") and President of Smart Online, REEZA ERIC NOURI -- a Smart Online employee and brother of the CEO -- and brokers RUBEN SERRANO, ANTHONY MARTIN, JAMES DOOLAN, and ALAIN LUSTIG were arrested today on securities fraud and conspiracy charges. The charges arose from the NOURIS' fraudulent scheme to pay undisclosed bribes to brokers, including the other four defendants, to solicit their customers to purchase Smart Online shares, thereby driving up the price of the stock. According to the Complaint filed in Manhattan federal court:

From May 2005 through July 2007, DENNIS MICHAEL NOURI and his brother REEZA ERIC NOURI engaged in a fraudulent scheme designed to manipulate the price of the securities of Smart Online, which stock is publicly traded on the OTC-Bulletin Board. As part of the scheme, the CEO and his brother bribed brokers to sell Smart Online stock to their customers so that the price of the stock went up. In several recorded conversations and telephone calls, DENNIS MICHAEL NOURI and REEZA ERIC NOURI discussed the details of the fraudulent scheme, including the amount of the kickbacks paid to brokers for buying Smart Online stock and the NOURIS' desire to pump up the price of the stock before the company was listed on the NASDAQ Capital Market.

In conversations recorded after the Securities and

Exchange Commission ("SEC") suspended trading of Smart Online stock on the NASDAQ, DENNIS MICHAEL NOURI described how to lie to investigators to cover up the scheme and how to be careful when paying kickbacks to brokers. He warned that someone might be taking pictures and demonstrated how to transfer money to another person without being seen. In another meeting, NOURI took a cooperating broker's cell phone to delete a phone number the broker had been using to contact him, and gave the broker a number to call when speaking with him in the future.

DENNIS MICHAEL NOURI and REEZA ERIC NOURI were arrested today and are expected to be presented today before a United States Magistrate Judge in Durham, North Carolina. Brokers SERRANO, MARTIN, DOOLAN, and LUSTIG were also arrested today and are expected to be presented today before a United States Magistrate Judge in Manhattan federal court.

All the defendants are charged with one count of conspiracy to commit securities fraud and one count of securities fraud. The conspiracy charge carries a maximum sentence of 5 years' imprisonment and a maximum fine of the greater of \$250,000, or twice the gross gain or loss from the offense. The securities fraud count carries a maximum sentence of 20 years' imprisonment and a maximum fine of \$5 million, or twice the gross gain or loss from the offense.

Mr. GARCIA praised the efforts of the FBI and the SEC in the investigation of this case.

Assistant United States Attorney REED MICHAEL BRODSKY is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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